

Tuition: 'Higher than a Dave Matthews Concert'

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"More than 100 protesters gathered on the steps of the (Santa Monica College) library and marched through campus, picking up more concerned students along the way, as they chanted: 'Education should be free. No cuts. No fees.'" — April 5, Los Angeles Times

by NICK BARBKNECHT

Everyone would love college to be free. The entire society would be educated, prosperity would flourish and professionals would be abundant. But this ideal society is not practical and the cost of college is indeed higher than a Dave Matthews concert. By gradually reducing and then eliminating the federal aid for colleges, the price of tuition will go down. Though this is not the easiest policy to implement with a sound bite, it is the best long-term strategy. The Indiana Legislature should find this a problem it can tackle in the next legislative session.



Take, for example, Amuricah Univeristy. Amuricah raises its tuition about 3 percent each school year to deal with the rising costs of inflation. The federal government and state government both increase funding to Amuricah each year subsidizing two-thirds of the 3 percent tuition hike.

The result? The editors at smartmoney.com note that a doctoral candidate at Columbia University looked at data on aid from 1996 to 2008 and calculated that on average schools increased Pell Grant recipients' prices by \$17 in response to every \$100 of Pell Grant aid. "More selective nonprofit schools' response was largest and these schools raised prices by \$66 for every \$100 of Pell Grant aid," the article concluded.

Less cash available lowers prices, plain and simple. A vast majority of economists agree on this fundamental economic concept. To lowers costs in any market, simply lower the supply of available cash. By removing government subsidies, Adam Smith's invisible hand relegates the market to a price level which the greatest amount of people can afford.

By being less reliant on the government, colleges will be forced to cut costs to retain enrollment. Colleges increase tuition prices over and above government subsidy increases. Administrators at colleges view the government subsidies as free money, and then proceed to increase tuition the maximum amount parents will pay over the funding increases.

Say the federal and state governments just announced they would end all subsidies for higher education. Amuricah would likely lower its tuition increase from 3 percent to 1 percent in order to both avoid losing students who cannot afford the increase and to avoid increasing its prestigious low acceptance rate in the process.

Without the artificial influence of government on the market, Indiana colleges will be more successful in delivering on their promises because of their new motive to be self-sustaining. If an institution does not live up to its expectations, the tuition payers will either seek another institution or encourage others in the market to attend another institution.

There are those who argue that education is a right and society has a responsibility to provide education for each individual, no matter the costs. Everyone probably agrees this is a noble cause - a citizen who has been provided with a higher education degree is much more likely to succeed in all areas and make significantly more over his or her lifetime. But no matter how noble this cause, it is a short-term emotional strategy which brings with it long-term losses in the form of higher college costs.

Additional government funds in the college market raise the cost of higher education overall. By raising costs, college is even harder to afford, which does nothing but exacerbate the problem. Higher tuition pushes students who can attend Amuricah into two categories: The wealthiest who can afford to pay the high tuition costs and those who are poor enough to qualify for federal subsidies. This sort of environment is something no one should find ideal. The only way to increase affordability of college is to lower costs. Reducing government subsidies does just that.

Reducing government subsidies from the college market lowers the amount of available funds. Lowering the available funds for colleges will lower costs. Lowering costs increases affordability for all tuition payers and connects the tuition payers to the costs which increases accountability for the tuition collectors. Indiana can be at the forefront of this critical issue.

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